

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED
JUNE 30, 2013**

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

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INDEPENDENT AUDITOR'S REPORT

CHFFA Members
California Health Facilities Financing Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Health Facilities Financing Authority's (CHFFA) Bond Financing Program Fund (Bond Program), a fund of the State of California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the CHFFA Bond Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the CHFFA Bond Program as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CHFFA Bond Financing Program Fund and do not purport to, and do not, present fairly the financial position of the State of California or CHFFA, as of June 30, 2013, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CHFFA Bond Program's basic financial statements. The Schedule of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Bonds and Collateralized Notes Authorized, Issued, and Outstanding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Bonds and Collateralized Notes Authorized, Issued, and Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 on our consideration of the CHFFA Bond Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CHFFA Bond Program's internal control over financial reporting and compliance.



**GILBERT ASSOCIATES, INC.
Sacramento, California**

December 17, 2013

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**BALANCE SHEET
JUNE 30, 2013**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 9,183,851
Accounts receivable (net)	874,037
Due from external funds	<u>65,048</u>
Total current assets	<u>10,122,936</u>

NON-CURRENT ASSETS:

Capital assets (net)	<u>36,603</u>
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TOTAL ASSETS \$ 10,159,539

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 31,379
Due to external funds	27,630
Current accrued vacation	<u>55,311</u>
Total current liabilities	<u>114,320</u>

NON-CURRENT LIABILITIES:

Accrued vacation (net)	83,359
OPEB obligation	<u>275,710</u>

TOTAL LIABILITIES 473,389

NET POSITION

Restricted for purposes specified in enabling legislation	<u>9,686,150</u>
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TOTAL LIABILITIES AND NET POSITION \$ 10,159,539

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2013**

OPERATING REVENUES:

Fee revenue \$ 2,040,259

OPERATING EXPENSES:

Personnel 1,248,641

Operating expenses 905,429

Total operating expenses 2,154,070

OPERATING LOSS

(113,811)

NON-OPERATING REVENUES:

Interest income 33,420

OTHER SOURCES (USES):

Transfers to other CHFFA Funds (6,500,000)

CHANGES IN NET POSITION

(6,580,391)

NET POSITION, Beginning of Year, as restated (Note 10)

16,266,541

NET POSITION, End of Year

\$ 9,686,150

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**STATEMENT OF CASH FLOWS
JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from fees	\$ 2,225,850
Payments to employees	(1,084,014)
Payments to suppliers of goods and services	<u>(958,368)</u>
Net cash provided by operating activities	<u>183,468</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Interest and investment income	41,643
Amounts transferred to other funds	<u>(6,500,000)</u>
Net cash used by noncapital financing activities	<u>(6,458,357)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (6,274,889)

BEGINNING CASH AND CASH EQUIVALENTS 15,458,740

ENDING CASH AND CASH EQUIVALENTS \$ 9,183,851

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$ (113,811)
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**ADJUSTMENTS TO RECONCILE NET LOSS TO NET
CASH PROVIDED BY OPERATIONS:**

Depreciation	24,491
(Increase) Decrease in:	
Accounts receivable	185,591
Prepaid expenses	7,000
Due from external funds	(27,609)
Increase (Decrease) in:	
Accounts payable	(76,713)
Due to external funds	19,892
Accrued vacation	16,107
OPEB obligation	<u>148,520</u>
Net cash provided by operating activities	<u>\$ 183,468</u>

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY BOND FINANCING PROGRAM FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

The California Health Facilities Financing Authority (CHFFA) was created in 1979 and operates pursuant to the California Health Facilities Financing Authority Act (codified in the California Government Code Sections 15430-15462.5). CHFFA is a public instrumentality of the State of California, authorized and empowered by the provisions of the CHFFA Act for the purpose of providing financial assistance to eligible and creditworthy nonprofit and public health facilities in California through loans funded by the issuance of tax-exempt bonds, low-cost loans, and direct grant programs to promote important California health access, healthcare improvement and cost containment objectives. The CHFFA Bond Financing Program (Bond Program) was established to carry out these objectives. The diverse nature of the facilities funded by the CHFFA Bond Program reflects the changing health care needs of California. From rural community-based organizations to large multi-hospital systems, the CHFFA Bond Program has financed a wide range of providers and programs throughout California. The Bond Financing Program Fund is a sub-account within CHFFA.

CHFFA's enabling legislation guides the specific types of eligible entities, covering a wide range of entities, including without limitation, acute care hospitals, specialty centers, intermediate and skilled nursing care facilities, clinics and adult day health centers. The legislation also addresses project eligibility (including without limitation, construction, expansion, remodeling, renovation, and refinances), in addition to the make-up and responsibility of the nine member board. The CHFFA Bond Program has served as conduit issuer for a wide range of borrowers under the following bond financing programs:

Standard Bond Financing Program - This program provides borrowers with access to low interest rate capital markets through the issuance of tax-exempt revenue bonds. Proceeds from the bonds may be used to fund construction/renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, and costs of issuance.

Pooled Bond Financing Program - This program provides borrowers, with more modest financing needs, the option to group or "pool" into a single bond financing, where bond issuance costs are shared by other participants. This type of financing will generally allow a borrower to finance an eligible project with a minimum bond issuance of \$500,000.

Tax Exempt Equipment Financing Program - This program provides health facilities with access to tax-exempt fixed rate financing for equipment purchases. A borrower under the program can fund qualifying equipment purchases of \$500,000 or more. The maturity of the notes must be related to the useful life of the equipment to be financed. Notes issued through the program are collateralized by the equipment that is purchased. Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including but not limited to, medical and diagnostic equipment, computers, and telecommunications equipment. Funds can also be used to finance minor equipment installation costs.

CHFFA contracts with the State Treasurer's Office to provide administrative support including, but not limited to accounting, budgets, data processing, personnel and business services.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

BOND FINANCING PROGRAM FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

B. THE REPORTING ENTITY

These financial statements present information on the financial activities of CHFFA's Bond Program. CHFFA is an enterprise fund of the State of California. The financial information is included in the State of California's Comprehensive Annual Financial Report and presented as a Business-Type Activity. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of CHFFA.

C. BASIS OF PRESENTATION

CHFFA is a public instrumentality of the State of California and is treated as an enterprise fund. The accrual basis of accounting is utilized whereby revenues are recorded when earned and expenses are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The financial statements of the CHFFA Bond Program have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

D. ACCOUNTS RECEIVABLE

Accounts receivable consist of initial and annual administration fees receivable from conduit bond financing borrowers. Accounts receivable are reported net of an allowance for doubtful accounts of \$24,165 as of June 30, 2013. Management's estimate of the allowance is based on historical collection experience and a review of the current status of fees receivable.

E. REVENUES

Bond Financing Program (Standard and Pooled)

Fees are for the staff work related to bond financing and post-issuance activities and for the review of bond transactions. Fees vary based on the issuer: Issuers of bonds for the construction of a private health facility (or system) with annual gross revenues of \$2.5 million or greater are charged an initial fee of 0.05% of the aggregate issue amount, up to a maximum of \$100,000, and an annual administrative fee of 0.0175% of aggregate outstanding bonds, up to a maximum of \$150,000. Issuers of bonds for the construction of a private health facility (or system) with annual gross revenues of less than \$2.5 million and public (city, county or district) health facilities are charged an initial fee of \$1,000, and an annual administrative fee of 0.0175% of aggregate bonds outstanding, up to a maximum of \$500.

Tax Exempt Equipment Financing Program

Fees for the staff work related to equipment financing and post-issuance activities are 0.05% of the aggregate issue amount, along with a non-refundable \$500 application fee. The administration fees are \$400 annually as long as there is an outstanding loan balance.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Fees are used to cover operating costs such as general communications, printing, professional services both internal and external, facilities operations, employee benefits, and other miscellaneous operating expenses, in addition to salaries and wages.

CHFFA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from issuing bonds and equipment loans.

F. BUDGET

As an enterprise fund, CHFFA is designed to be self-supporting, and therefore is not considered a budgetary fund.

G. CASH AND CASH EQUIVALENTS

CHFFA considers all short-term investments with an original maturity of three months or less to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are defined as assets with a useful life of at least one year and a unit acquisition cost of at least \$5,000. Equipment is depreciated using the straight-line method over five years to ten years. Computer software is amortized using the straight-line method over 3 years.

I. RISK MANAGEMENT

CHFFA is an enterprise fund of the State of California, which is primarily self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. CHFFA has not had any claims subject to this coverage in the last three years. Additional disclosures are presented in the basic financial statements of the State of California.

J. ACCRUED VACATION

The accrued liability for the vacation compensation is recognized as an expense and liability in the CHFFA Bond Program's financial statements based on employee assignment to the program. Additionally, accumulated sick-leave balances are not recorded as compensated absences because they do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

K. NET POSITION

Net position is restricted by enabling legislation for the purposes of issuing bonds to assist expansion and construction of health facilities.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

L. USE OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

M. CURRENT YEAR GASB IMPLEMENTATION

For the year ended June 30, 2013, the CHFFA Bond Program implemented GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB's authoritative literature. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the CHFFA Bond Program's net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of the three GASB statements resulted in certain changes in presentation but did not have a material impact on the financial statements.

2. CASH AND CASH EQUIVALENTS

A. GENERAL

Cash and cash equivalents at June 30, 2013 consist of the following:

Deposits in SMIF	\$ 9,183,000
Cash in State Treasury	<u>851</u>
Total cash and cash equivalents	<u>\$ 9,183,851</u>

B. STATE TREASURY

The CHFFA Bond Program invests excess cash funds in the State of California Surplus Money Investment Fund (SMIF). All of the resources of SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is designated by the Pooled Money Investment Board and is administered by the office of the State Treasurer. As of June 30, 2013, the CHFFA Bond Program invested funds in SMIF in the amount of \$9,183,000.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Additional disclosure detail required by GASB Statements No. 3, No. 31, and No. 40, regarding cash deposits and investments, are presented in the financial statements of the State of California for the year ended June 30, 2013.

3. DUE TO/FROM OTHER FUNDS – EXTERNAL FUNDS

Due to/from other funds at June 30, 2013 includes the following:

<u>Due From (Due To)</u>	<u>Description</u>	
SMIF	Interest Income	\$ 5,008
Children’s Hospital Fund	Personnel costs	60,040
General Fund	Miscellaneous	(8,310)
Services Revolving Fund	Miscellaneous	(415)
Pollution Control Authority	Miscellaneous	(1,463)
Department of General Service	Records Center Management	(270)
Legal Services	DOJ Attorney Services	<u>(17,172)</u>
Net Due From (To) Other Funds		<u>\$ 37,418</u>

The amount due from SMIF represents unpaid interest earned by the CHFFA Bond Program. The amount due from other funds represents expenses paid by the CHFFA Bond Program for other funds. The amount due to other funds represents expenses paid by other funds within the State of California on behalf of the CHFFA Bond Program.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Capital assets, being depreciated and amortized:				
Equipment	\$ 73,504			\$ 73,504
Computer software - amortizable	<u>65,000</u>			<u>65,000</u>
Total capital assets being depreciated and amortized:	<u>138,504</u>			<u>138,504</u>
Less accumulated depreciation and amortization for:				
Equipment	(28,660)	\$ (8,241)		(36,901)
Computer software	<u>(48,750)</u>	<u>(16,250)</u>		<u>(65,000)</u>
Total accumulated depreciation and amortization	<u>(77,410)</u>	<u>(24,491)</u>		<u>(101,901)</u>
Total capital assets, being depreciated	<u>\$ 61,094</u>	<u>\$ (24,491)</u>	<u>\$</u>	<u>\$ 36,603</u>

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

5. ACCRUED VACATION

The CHFFA Bond Program employees are granted vacation and sick leave in varying amounts, depending upon the employee. These hours are accrued for all employees on the basis of monthly payrolls. Upon separation, employees are paid for accumulated vacation days up to specified limits. Accrued vacation and sick leave follow State employees from agency to agency and are not necessarily earned since the inception of the CHFFA Bond Program.

Accrued vacation activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Accrued vacation	\$ 122,563	\$ 71,418	\$ (55,311)	\$ 138,670	\$ 55,311

6. RETIREMENT PLAN

CHFFA is a participant in the State of California's Public Employees' Retirement System (CalPERS), which is a defined benefit, agent multiple-employer contributory retirement plan. Since all State agencies are considered collectively to be a single employer, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the CHFFA Bond Program's employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirements are the same as those used to compute the State pension benefit obligation as defined by CalPERS. Generally, full-time and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five or ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five or ten years of CalPERS credited service, depending upon the tier of participation. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The amount of pension contributions by the CHFFA Bond Program to CalPERS is actuarially determined under a program wherein contributions plus the expected earnings of CalPERS will provide the necessary funds to pay the earned benefits of the employees when due. The total payroll of the CHFFA Bond Program is covered.

The CHFFA Bond Program's contribution to CalPERS for the year ended June 30, 2013 was \$147,056. Participant contributions range from zero to six percent of their salary depending on the tier of participation. The excess of plan assets over vested and unvested benefits at June 30, 2013 was not available. Such information is available for CalPERS as a whole, which is audited annually by other independent auditors. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Additional disclosure detail required by GASB Statements No. 25, No. 27, and No. 50, regarding the defined benefit plan, is presented in the financial statements of the State of California for the year ended June 30, 2013.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State of California (the State) provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer. A portion of the State's post-employment benefit costs have been allocated to the CHFFA Bond Program as follows:

	<u>2013</u>
Annual required contribution	\$ 225,150
Interest on net OPEB obligation	26,860
Adjustment to annual required contribution	<u>(23,700)</u>
Annual OPEB cost (expense)	228,310
Contributions made	<u>(79,790)</u>
Increase in net OPEB obligation	148,520
Net OPEB obligation – beginning of year	<u>127,190</u>
Net OPEB obligation – end of year	<u><u>\$ 275,710</u></u>

Additional disclosure detail required by GASB Statement No. 45, regarding post-retirement benefits, is presented in the financial statements of the State of California for the year ended June 30, 2013.

8. CONDUIT FINANCING PROGRAMS

The CHFFA Bond Program acts as a conduit issuer by assisting eligible private nonprofit and public health facilities obtain financing through the issuance of revenue bonds. The financings are secured by the full faith and credit of the participating institutions, and neither CHFFA nor the CHFFA Bond Program is responsible for payment on any financing. As a result, the financing obligations are not recorded in the CHFFA Bond Program's financial statements. The borrowers' obligations may be secured by insurance, a letter of credit or guaranty.

As of June 30, 2013, there was \$12,421,592,364 in conduit financings outstanding. The CHFFA Bond Program assisted with the issuance of financings in the amount of \$1,344,785,000 for the year ended June 30, 2013. Additionally, the amounts of bonds authorized by the CHFFA Bond Program with active resolutions that remain unsold were \$3,056,105,000 as of June 30, 2013.

9. TRANSFERS TO OTHER CHFFA FUNDS

During the year ended June 30, 2013, the CHFFA Bond Program transferred \$6,500,000 to the California Health Access Model Program Account, a new program within CHFFA, in accordance with California Government Code Section 15438.10. Amounts transferred remain in the California Health Access Model Program Account for the purpose of issuing grants pursuant to the code. Any amounts remaining as of January 1, 2020, will revert back to the CHFFA Bond Program. No receivable for this amount has been recognized in the current year financial statements.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position was restated in the current year to recognize the Bond Program's OPEB as of June 30, 2012.

Net position, as previously reported	\$ 16,393,731
OPEB obligation as of June 30, 2012	<u>(127,190)</u>
Net position, restated	<u>\$ 16,266,541</u>

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY BOND FINANCING PROGRAM FUND

SCHEDULE OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2013

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Retired	Bonds Outstanding as of June 30, 2013
Adventist Health System/West - Sutter Health Revolving Loan Pool, Series 1991A & 1991B	4-Sep-91	1-Aug-21 A1=9/1/2023 A2=9-1/2028	\$ 59,800,000	\$ 31,400,000	\$ 28,400,000
Adventist Health System/West, 1998 Series A1 and A2	28-Feb-98	B=9/1/2028	114,500,000	40,500,000	74,000,000
Adventist Health System/West, 2009 Series A	20-May-09	1-Sep-39	90,000,000	-	90,000,000
Adventist Health System/West, 2009 Series B	20-May-09	1-Sep-38	30,000,000	-	30,000,000
Adventist Health System/West, 2009 Series C	20-May-09	1-Mar-21	54,495,000	37,040,000	17,455,000
Adventist Health System/West, Series 2011A	9-Jun-11	1-Mar-41	130,000,000	3,585,000	126,415,000
Adventist Health System/West, Series 2013A	14-Feb-13	1-Mar-43	290,365,000	-	290,365,000
AIDS Healthcare Foundation, 2005 Series A	21-Jul-05	1-Nov-22	7,250,000	3,110,000	4,140,000
Aldersly, 2002 Series A	1-Sep-02	1-Mar-32	7,125,000	1,500,000	5,625,000
Alliance for Community Care, Series 2003	29-Oct-03	1-Jul-22	10,500,000	4,475,000	6,025,000
Ararat Home of Los Angeles, Inc., 2012 Series A	27-Nov-12	1-Jun-21	2,990,000	-	2,990,000
Asian Community Center of Sacramento Valley, Inc., 2007 Series A	3-Oct-07	1-Apr-37	19,405,000	935,000	18,470,000
Asian Health Services, 2009 Series A	21-Oct-09	1-Aug-20	4,005,000	890,000	3,115,000
Beacon House Association of San Pedro (The), Series 2011	20-Oct-11	1-Dec-23	1,505,000	95,000	1,410,000
Becoming Independent, Series 2013	30-Apr-13	1-Feb-29	4,865,000	-	4,865,000
California-Nevada MethodistHomes, Series 2006	3-May-06	1-Jul-36	42,280,000	11,850,000	30,430,000
Casa Colina, Series 2001	7-Dec-01	1-Apr-32	40,000,000	16,700,000	23,300,000
Casa Colina, Series 2011	18-Oct-11	1-Apr-41	50,000,000	40,273,881	9,726,119
Catholic Healthcare West Loan Program, 2004 Series K	19-May-04	1-Jul-33	60,000,000	-	60,000,000
Catholic Healthcare West Loan Program, 2009 Series H	12-Nov-09	1-Jul-33 B: 7/1/2016	90,000,000	-	90,000,000
Catholic Healthcare West, 1988 Series A, B & C	23-Jun-88	C: 7/1/2020	120,000,000	58,600,000	61,400,000
Catholic Healthcare West, 1996 Series B, C, and D	30-May-96	1-Jul-21 F: 7/1/2014	104,900,000	80,000,000	24,900,000
Catholic Healthcare West, 1996 Series F and G	12-Dec-96	G: 7/1/2023	67,500,000	34,000,000	33,500,000
Catholic Healthcare West, 1997 Series B, 1997 Series C	15-Oct-97	1-Jul-22	70,000,000	45,000,000	25,000,000
Catholic Healthcare West, 2004 Series G	28-Apr-04	1-Jul-23	29,100,000	295,000	28,805,000
Catholic Healthcare West, 2004 Series I	28-Apr-04	1-Jul-26	50,000,000	100,000	49,900,000
Catholic Healthcare West, 2005 Series H	10-Nov-05	1-Jul-35	140,400,000	-	140,400,000
Catholic Healthcare West, 2005 Series I	10-Nov-05	1-Jul-35	59,600,000	-	59,600,000
Catholic Healthcare West, 2008 Series G	16-May-08	1-Jul-25	29,675,000	-	29,675,000
Catholic Healthcare West, 2008 Series H	16-May-08	1-Jul-22	54,650,000	17,275,000	37,375,000
Catholic Healthcare West, 2008 Series I	16-May-08	1-Jul-22	53,725,000	17,725,000	36,000,000
Catholic Healthcare West, 2008 Series J	16-May-08	1-Jul-32	67,700,000	-	67,700,000
Catholic Healthcare West, 2008 Series K	16-May-08	1-Jul-22	54,100,000	14,850,000	39,250,000
Catholic Healthcare West, 2008 Series L	16-May-08	1-Jul-22	38,850,000	9,700,000	29,150,000
Catholic Healthcare West, 2009 Series A	14-May-09	1-Jul-39 B: 7/1/2028 C: 7/1/2037	339,115,000	15,000,000	324,115,000
Catholic Healthcare West, 2009 Series B, C, and D	14-May-09	D: 7/1/2028	119,895,000	79,540,000	40,355,000
Catholic Healthcare West, 2009 Series E	12-Nov-09	1-Jul-25	101,255,000	-	101,255,000
Catholic Healthcare West, 2009 Series F	12-Nov-09	1-Jul-27	66,930,000	-	66,930,000
Catholic Healthcare West, 2011 Series A	9-Nov-11	1-Mar-41	350,005,000	7,070,000	342,935,000
Catholic Healthcare West, 2011 Series B	9-Nov-11	1-Mar-47	75,000,000	-	75,000,000
Catholic Healthcare West, 2011 Series C	9-Nov-11	1-Mar-47	75,000,000	-	75,000,000
Cedars-Sinai Medical Center, Series 2005	10-Aug-05	15-Nov-34	518,820,000	41,790,000	477,030,000

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM FUND**

**SCHEDULE OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED,
ISSUED AND OUTSTANDING
JUNE 30, 2013**

<u>Issued</u>	<u>Date Issued</u>	<u>Date of Final Maturity</u>	<u>Total Bonds Issued</u>	<u>Total Bonds Retired</u>	<u>Bonds Outstanding as of June 30, 2013</u>
Cedars-Sinai Medical Center, Series 2009	21-Oct-09	15-Aug-39	535,000,000	57,430,000	477,570,000
Cedars-Sinai Medical Center, Series 2011	21-Dec-11	15-Aug-21	148,400,000	7,700,000	140,700,000
Children's Hospital Los Angeles, Series 2010A	20-May-10	1-Jul-38	135,515,000	-	135,515,000
Children's Hospital Los Angeles, Series 2012A	15-Aug-12	15-Nov-34	120,760,000	-	120,760,000
Children's Hospital Los Angeles, Series 2012B	15-Aug-12	15-Nov-34	51,655,000	-	51,655,000
Children's Hospital of Orange County, 2009 Series A	30-Jun-09	1-Nov-38	139,565,000	7,165,000	132,400,000
Children's Hospital of Orange County, 2009 Series B	30-Jun-09	1-Nov-38	50,000,000	-	50,000,000
Children's Hospital of Orange County, 2009 Series C	30-Jun-09	1-Nov-38	50,000,000	-	50,000,000
Children's Hospital of Orange County, 2009 Series D	30-Jun-09	1-Nov-34	27,800,000	-	27,800,000
Children's Hospital of Orange County, Series 2011A	3-Nov-11	1-Nov-41	106,735,000	-	106,735,000
Chinese Hospital Association, Series 2012	8-Nov-12	1-Jun-42	65,000,000	-	65,000,000
Citrus Valley Health Partners, Equipment Note	31-Mar-10	1-Apr-15	2,500,000	1,512,718	987,282
Citrus Valley Medical Center & Foothill Hospital Equipment Note	1-Mar-10	2-Apr-15	2,500,000	1,519,792	980,209
City of Hope, CHFFA Revenue Bonds, Series 2012A	14-Nov-12	15-Nov-39	234,635,000	-	234,635,000
City of Hope, CHFFA Revenue Bonds (Var Rate), Series 2012B	14-Nov-12	15-Nov-42	32,500,000	-	32,500,000
City of Hope, CHFFA Revenue Bonds (Var Rate), Series 2012C	14-Nov-12	15-Nov-42	32,500,000	-	32,500,000
Clinicas de Salud del Pueblo, Inc. and Valley Health Team, Inc., 2008 Series A	11-Mar-08	1-Jul-32	6,250,000	4,295,000	1,955,000
Community Health Systems, Inc., 2000 Series A	1-Aug-10	1-Aug-25	1,295,000	400,000	895,000
Community Program for Persons with Developmental Disabilities, 2011 Series A	17-Feb-11	1-Feb-26	44,725,000	4,175,000	40,550,000
Community Program for Persons with Developmental Disabilities, 2011 Series B	17-Feb-11	1-Feb-26	32,245,000	2,840,000	29,405,000
Cottage Health System Obligated Group, 2003 Series B	13-Nov-03	1-Nov-33	60,000,000	10,615,000	49,385,000
Dignity Health, 2012 Series A	27-Jun-12	1-Mar-28	140,000,000	-	140,000,000
Downey Community Hospital Series 1993	1-Aug-93	15-May-16	68,845,000	54,210,000	14,635,000
Exceptional Children's Foundation 1995 Series A	1-Sep-95	1-May-21	2,990,000	1,665,000	1,325,000
FamiliesFirst, Inc., Series 2011	29-Sep-11	1-Dec-20	15,500,000	1,560,000	13,940,000
Fellowship Homes, Inc., Series 2011	7-Oct-11	1-Sep-19	2,785,000	285,000	2,500,000
Gateways Hospital and Mental Health Center, 2011 Series A	1-Dec-11	1-Dec-36	5,000,000	-	5,000,000
Gateways Hospital and Mental Health Center, 2011 Series B	1-Dec-11	1-Dec-24	3,085,000	210,000	2,875,000
HOPE Services, Series 2012	28-Sep-12	1-Nov-20	3,185,000	-	3,185,000
Insured Cal Pool Feedback Foundation Inc., Olive Crest Treatment Centers, Inc., Southern California Alcohol & Drug Programs 1992 Series A	1-Dec-92	1-Dec-22	5,735,000	4,545,000	1,190,000
Insured Cal Pool Loan, Desarrollo Familiar Series 1986C	1-Dec-86	1-Dec-16	150,000	110,000	40,000
Kaiser Permanente, 2006 Series A	8-Jun-06	1-Apr-39	200,000,000	-	200,000,000
Kaiser Permanente, 2006 Series C	8-Jun-06	5-Jun-41	325,000,000	-	325,000,000
Kaiser Permanente, 2006 Series E	8-Jun-06	1-Nov-40	175,000,000	-	175,000,000
Kaiser Permanente, 2011 Series A	3-May-11	1-Aug-31	50,000,000	-	50,000,000
Kaiser Permanente, 2011 Series B	3-May-11	1-Aug-31	50,000,000	-	50,000,000
Kaiser Permanente, 2011 Series C	3-May-11	1-Aug-31	50,000,000	-	50,000,000
Kaiser Permanente, 2011 Series D	3-May-11	1-Aug-31	54,545,000	-	54,545,000
Lucile Salter Packard Children's Hospital at Stanford, 2008 Series A	12-Aug-08	15-Aug-33	30,340,000	-	30,340,000

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
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JUNE 30, 2013**

<u>Issued</u>	<u>Date Issued</u>	<u>Date of Final Maturity</u>	<u>Total Bonds Issued</u>	<u>Total Bonds Retired</u>	<u>Bonds Outstanding as of June 30, 2013</u>
Lucile Salter Packard Children's Hospital at Stanford, 2008 Series B	12-Aug-08	15-Aug-33	30,340,000	-	30,340,000
Lucile Salter Packard Children's Hospital at Stanford, 2008 Series C	12-Aug-08	15-Aug-33	32,770,000	-	32,770,000
Lucile Salter Packard Children's Hospital at Stanford, 2012 Series A	21-Mar-12	15-Aug-51	200,000,000	-	200,000,000
Lucile Salter Packard Children's Hospital at Stanford, 2012 Series B	21-Mar-12	15-Aug-27	51,045,000	-	51,045,000
Marshall Medical Center, 2004 Series A	17-Mar-04	1-Nov-33	30,000,000	660,000	29,340,000
Marshall Medical Center, 2004 Series B	22-Mar-04	1-Nov-33	20,000,000	-	20,000,000
Marshall Medical Center, Series 2012A	26-Sep-12	1-Nov-22	17,805,000	470,000	17,335,000
Memorial Health Services, Series 1994	1-Mar-94	1-Oct-24	85,000,000	24,500,000	60,500,000
Memorial Health Services, Series 2012A	25-Apr-12	1-Oct-33	163,735,000	5,290,000	158,445,000
Nipomo Community Medical Center Inc. 1990 Series A	1-Jul-90	1-Jul-20	770,000	420,000	350,000
Northern California Presbyterian Homes and Services, Inc., Series 1998	1-Jul-98	1-Jul-28	25,000,000	7,060,000	17,940,000
Northern California Presbyterian Homes and Services, Inc., Series 2004	15-Sep-04	1-Jul-34	43,000,000	6,900,000	36,100,000
Paradise Valley Estates Project (NCROC), Series 2005	20-Dec-05	1-Dec-30	16,125,000	5,975,000	10,150,000
Paradise Valley Estates Project (NCROC), Series 2013	4-Apr-13	1-Jan-26	32,315,000	-	32,315,000
Petaluma Health Center, Inc., 2010 Series A	2-Jun-10	1-Jun-40	5,865,000	105,000	5,760,000
Pomona Valley Hospital Medical Center, 1997 Series A	15-Apr-97	1-Jul-19	84,000,000	46,565,000	37,435,000
Prototypes, A Center for Innovation in Health Mental Health and Social Services & Social Model Recovery Systems, Inc., 2001 Series A	1-Jun-12	1-Jun-20	6,085,000	2,585,000	3,500,000
Providence Health & Services, 2008 Series C	6-Nov-08	1-Oct-38	289,195,000	12,470,000	276,725,000
Providence Health & Services, Series 2009B	29-Jul-09	1-Oct-39	150,000,000	-	150,000,000
Rady Children's Hospital - San Diego, Series 2011	22-Nov-11	15-Aug-41	100,000,000	-	100,000,000
Redlands Community Hospital Series 2007, - Equipment Loan Program	27-Sep-07	1-Oct-13	5,000,000	4,686,246	313,754
San Diego Hospital Association 1988 Series A	23-Jun-88	15-Jul-18	25,000,000	15,200,000	9,800,000
San Fernando Valley Community Mental Health Center, Inc., Series 1998A	1-Jun-98	1-Jun-23	3,700,000	1,615,000	2,085,000
Scripps Health, 2001 Series A	10-Jul-01	1-Oct-23	60,000,000	48,900,000	11,100,000
Scripps Health, 2008 Series A	14-Aug-08	1-Oct-22	99,020,000	2,305,000	96,715,000
Scripps Health, 2008 Series B	14-Aug-08	1-Oct-31	44,205,000	10,535,000	33,670,000
Scripps Health, 2008 Series C	14-Aug-08	1-Oct-31	44,200,000	10,530,000	33,670,000
Scripps Health, 2008 Series D	14-Aug-08	1-Oct-31	44,200,000	10,555,000	33,645,000
Scripps Health, 2008 Series E	14-Aug-08	1-Oct-31	44,200,000	10,530,000	33,670,000
Scripps Health, 2008 Series F	14-Aug-08	1-Oct-31	44,425,000	10,585,000	33,840,000
Scripps Health, 2008 Series G	13-Aug-08	1-Oct-19	40,975,000	1,125,000	39,850,000
Scripps Health, 2010 Series A	4-Feb-10	15-Nov-36	120,000,000	-	120,000,000
Scripps Health, 2010 Series B	4-Feb-10	1-Oct-40	60,000,000	-	60,000,000
Scripps Health, 2010 Series C	4-Feb-10	1-Oct-40	40,000,000	-	40,000,000
Scripps Health, Series 2012A	4-Feb-10	15-Nov-10	175,000,000	-	175,000,000
Scripps Health, Series 2012B	1-Feb-12	1-Oct-42	60,000,000	-	60,000,000
Scripps Health, Series 2012C	1-Feb-12	1-Oct-42	40,000,000	-	40,000,000
Sisters of Charity of Leavenworth Health System, Series 2003	5-Dec-03	1-Dec-17	49,755,000	31,560,000	18,195,000
Sisters of Providence Series 1996	1-Mar-96	1-Oct-16	63,075,000	59,210,000	3,865,000

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
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Small Facilities Refinancing Program, 2005 Series A	12-Apr-05	1-Apr-25	22,545,000	9,495,000	13,050,000
Social Science Services, Inc., Series 2011	20-Oct-11	1-Aug-20	1,055,000	65,000	990,000
Solheim Lutheran Home, 2004 Series A	5-Nov-04	1-Nov-17	6,415,000	3,660,000	2,755,000
Southern California Alcohol & Drug Programs, Inc. 1997 Series A	1-Dec-97	1-Dec-22	4,095,000	1,930,000	2,165,000
Southern California Alcohol & Drug Programs, Inc. 2001 Series A	1-May-01	1-May-26	1,780,000	900,000	880,000
St. Joseph Health System, 2009 Series A	27-Aug-09	1-Jul-39	185,095,000	-	185,095,000
St. Joseph Health System, 2009 Series B	27-Aug-09	1-Jul-21	69,315,000	5,730,000	63,585,000
St. Joseph Health System, 2009 Series C	27-Aug-09	1-Jul-34	110,540,000	-	110,540,000
St. Joseph Health System, 2009 Series D	27-Aug-09	1-Jul-34	56,150,000	-	56,150,000
St. Joseph Health System, Series 2011A	14-Jul-11	1-Jul-41	52,110,000	-	52,110,000
St. Joseph Health System, Series 2011B	14-Jul-11	1-Jul-41	100,000,000	-	100,000,000
St. Joseph Health System, Series 2011C	14-Jul-11	1-Jul-41	50,000,000	-	50,000,000
St. Joseph Health System, Series 2011D	14-Jul-11	1-Jul-41	100,000,000	-	100,000,000
Stanford Hospital and Clinics, 2010 Series A	16-Jun-10	15-Nov-31	149,345,000	9,145,000	140,200,000
Stanford Hospital and Clinics, 2010 Series B	16-Jun-10	15-Nov-36	146,710,000	-	146,710,000
Stanford Hospital and Clinics, 2012 Series A	23-May-12	15-Aug-51	340,000,000	-	340,000,000
Stanford Hospital and Clinics, 2012 Series B	23-May-12	15-Aug-23	68,320,000	-	68,320,000
Stanford Hospital and Clinics, 2012 Series C	23-May-12	15-Aug-21	60,000,000	-	60,000,000
Stanford Hospital and Clinics, 2012 Series D	23-May-12	15-Aug-51	100,000,000	-	100,000,000
Stanford Hospital and Clinics, 2008 Series A-1	2-Jun-08	15-Nov-40	70,500,000	1,015,000	69,485,000
Stanford Hospital and Clinics, 2008 Series A-2, re-offer	15-Jun-11	15-Nov-40	104,100,000	1,325,000	102,775,000
Stanford Hospital and Clinics, 2008 Series A-3, re-offer	16-Jun-11	15-Nov-40	84,165,000	1,100,000	83,065,000
Stanford Hospital and Clinics, 2008 Series B-1	2-Jun-08	15-Nov-45	84,100,000	-	84,100,000
Stanford Hospital and Clinics, 2008 Series B-2, Sub Series 1, re-offer	15-Jun-11	15-Nov-45	42,050,000	-	42,050,000
Stanford Hospital and Clinics, 2008 Series B-2, Sub Series 2, re-offer	15-Jun-11	15-Nov-45	42,050,000	-	42,050,000
Sunny View Lutheran Home, 1997 Series A	1-Sep-97	1-Jan-19	4,430,000	2,735,000	1,695,000
Sunny View Lutheran Home, 1999 Series A	1-Feb-99	1-Jan-24	5,685,000	2,240,000	3,445,000
Sutter Health, 2007 Series A	1-May-07	15-Nov-46	756,410,000	-	756,410,000
Sutter Health, 2008 Series A	14-May-08	15-Aug-38	321,345,000	81,315,000	240,030,000
Sutter Health, 2011 Series B	10-Feb-11	15-Aug-42	475,000,000	-	475,000,000
Sutter Health, Series 2011D	22-Dec-11	15-Aug-35	310,300,000	-	310,300,000
Sutter Health, Series 2013A	24-Apr-13	15-Aug-52	450,000,000	-	450,000,000
The Help Group, Series 2012	2-Nov-12	1-Aug-37	6,210,000	-	6,210,000
The Hospital of the Good Samaritan 1991 Series A	15-Aug-91	1-Sep-21	105,000,000	48,125,000	56,875,000
TLC Child & Family Services, Series 2011	7-Oct-11	1-Sep-25	2,475,000	100,000	2,375,000
Valley Community Clinic, 2010 Series A	24-Mar-10	1-Apr-40	2,040,000	95,000	1,945,000
Vocational Visions, 2010 Series A	9-Jul-10	1-Jul-35	2,370,000	115,000	2,255,000
TOTAL					<u>\$ 12,421,592,364</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

**CHFFA Members
California Health Facilities Financing Authority
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the California Health Facilities Financing Authority's (CHFFA) Bond Financing Program Fund (Bond Program), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the CHFFA Bond Program's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CHFFA Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CHFFA Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the CHFFA Bond Program's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the separately issued letter to those charged with governance, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the separately issued letter to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CHFFA Bond Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

CHFFA's response to the material weakness identified in our audit is described in the separately issued letter to those charged with governance. CHFFA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CHFFA Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CHFFA Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 17, 2013